

***Funding Formula Working Group***

***Recommendations for Improvement of Rhode Island's  
Permanent Foundation Education Aid Formula***

*January 19, 2016*

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## ***Introduction***

The Funding Formula Working Group (FFWG) was created through Executive Order by Governor Raimondo on October 22, 2015. The group organized its deliberations around three areas of review: (1) the degree to which the funding formula is meeting the needs of all students and schools, (2) ensuring formula fairness between school types, and (3) the degree to which the formula incorporates best practices in educational funding, efficiency, and innovation. Within those three broad areas, the executive order required that the FFWG:

- 1) engage in a review of relevant data;
- 2) review the degree to which the funding formula is functioning as intended, with a focus on the differences between student and school types;
- 3) identify trends in expenditure and revenue that have a bearing on overall formula design;
- 4) examine school, district, and state efficiency and effectiveness of investments;
- 5) examine the categorical funds associated with the funding formula;
- 6) review the programmatic and funding model for charter public schools;
- 7) review state funding policy in other states;
- 8) solicit and review comments and recommendations from the public; and
- 9) submit a report of conclusions and recommendations to advise the Governor and other elected officials on the education foundation aid formula.

The FFWG's efforts culminated in this report, a product of their collective effort to provide guidance to Rhode Island's elected officials in their efforts to improve Rhode Island's funding formula. This report contains 20 direct policy recommendations. Through consensus agreement, the FFWG members support the policy intent expressed in this document, but their support cannot be read as an endorsement of the eventual statutory changes that may follow the submission of this report.

## **Funding Formula Working Group Process and Working Themes**

The FFWG held eight meetings between November 3, 2015, and January 14, 2016, dedicating nearly 600 hours of collective effort. Over this period, the FFWG's deliberations were grounded in four themes:

- ***Build on and improve the preceding work.***

The FFWG came together to refine and improve Rhode Island's funding formula, not to create a new funding formula.

- ***Use the diversity of perspectives to collectively inform the recommendations.***

The FFWG benefited from a wide a variety of experiences, perspectives, and opinions within the membership and from the public. The group received hundreds of written comments and letters and heard directly from dozens of stakeholders. The many perspectives contributed to this balanced, thoughtful, and inclusive set of recommendations.

- ***Improve the formula while living within our means.***

The FFWG recognized that Rhode Island cannot afford to solve every educational issue with additional funding. The FFWG's discussions kept this reality close at hand and produced a set of recommendations that blend cost-neutral improvements and modest aid increases.

- ***Review and assess the funding formula, not school types.***

The FFWG came together to review the funding formula and the degree to which it equitably serves diverse communities, students, and public schools. The group did not use its time to debate the legitimacy of any type of public school.

### ***Criteria for Reaching the Recommendations***

In the November 3, 2015, meeting, the FFWG identified three overall criteria for reaching the recommendations. The group discussion at each meeting began with a review of these criteria, and the final recommendations were examined against these criteria:

- **Success Criteria 1 – Equity**

Do the recommendations advance equity, especially for students with unique learning needs?

- **Success Criteria 2 - Fairness**

Do the recommendations improve the fundamental fairness of the funding formula?

- **Success Criteria 3 - Data-Driven**

Are the recommendations based on empirical data?

## ***Executive Summary of Working Group Recommendations***

The Funding Formula Working Group (FFWG) discussed a wide array of topics over the course of two months of deliberations. The group produced 20 consensus recommendations with a direct bearing on the funding formula statute or other regulations or statutes that drive school funding. These recommendations are excerpted below and are more fully described in the remainder of this report.

### ***Overarching Funding Formula Improvement Recommendations***

1. Rhode Island is in the fifth year of a seven-year transition period for traditional districts gaining state funding and the fifth year of a ten-year transition period for traditional districts losing state funding. Any revision to the funding formula should avoid the introduction of large-scale disruptions to this transition including creating a new round of significant “winners and losers.”
2. The categorical funds are essential to – not a secondary or disposable part of – the funding formula. They should be treated as equal to and funded along with all other parts of the funding formula.
3. The funding formula should allocate funding to students based on their needs, irrespective of the type of public school they attend.
4. The data used by the Rhode Island Department of Education to administer the funding formula are dynamic. Core data sets should be recalculated annually or as often as practicable.

### ***English Language Learner Recommendations***

5. Rhode Island should consider providing additional support for English Language Learners (ELLs) in order to improve education outcomes.
6. In the event that Rhode Island chooses to make an additional investment in ELLs, the funding should:
  - a. be calculated to be responsive to the number of ELLs in our system and based on reliable data;
  - b. include reasonable restrictions to ensure that the money is used to benefit ELLs; include a clear connection to research-based, proven effective strategies; and
  - c. promote the appropriate exiting of ELL students from services.

### ***Special Education Recommendations***

7. Rhode Island should consider providing additional support for local education agencies with high-cost special education students. If funding is increased, the 500% eligibility threshold for the special education categorical should be adjusted to broaden reimbursement eligibility.
8. Special education responsibilities can arise suddenly and, in some cases, have a significant impact on already-approved budgets. The state and schools of all types should work together to minimize this impact.

### ***Career & Technical Education Recommendations***

9. Rhode Island’s current approach to managing career & technical education should be reviewed to ensure a shared focus on quality programming, cost-effectiveness, and efficiency. These goals should be pursued without compromising students’ right to access career & technical education.
10. Expenditure data indicate that free-standing career & technical education centers unaffiliated with a district are one of the most expensive delivery models. Though more expensive, these

centers can provide unique benefits to students. The funding for schools operating this model should be reviewed to ensure that such schools can continue to provide high-quality career & technical education.

11. RIDE should thoroughly review the current methods for calculating career & technical education (CTE) tuition and reimbursement to ensure clarity, consistency, and fairness throughout the CTE system.

#### *Differences in Expense Profile Recommendations*

12. Due to verifiable differences in average expense profiles between traditional districts and charter public schools, funding formula revisions are warranted.
13. Any change to the funding formula resulting from differences of average expenses must be limited to clear and evident groups of expenses that are the result of differences in statute or regulation or to overwhelming differences in practice. The categories first identified by the House Study Commission and later presented by the R.I. Department of Education (RIDE) staff should be considered for adjustment.
14. Equity between school types is of the utmost importance. Funding formula adjustments that account for differences in expenses need to be balanced; they cannot consider expenses only on the side of charter public schools or traditional districts.

#### *Fixed and Marginal Costs*

15. Rhode Island should explore an approach for quantifying the fixed or marginal costs of traditional districts facing public school choice-related enrollment decline.
16. Rhode Island should consider providing additional support to traditional districts with high percentages of students enrolled in public schools of choice. This support, should it be provided, should not diminish the expectation of the need to control and reduce costs in the face of declining enrollment.

#### *Local Education Aid and Local Share*

17. The funding formula maintenance-of-effort language for cities and towns should be strengthened to account for reasonable factors such as inflation and enrollment increases.
18. The method of calculating tuition for public schools of choice must be transparent, fair, and well understood by all and clearly and fully described in statute.

#### *Best Practices, Efficiency, and Innovation*

19. The funding formula should be reviewed on a standard interval to ensure that it is performing at intended and optimum levels.
20. Rhode Island should investigate the use of state funding to promote innovation, flexibility, and best practices and to encourage autonomy.

## ***Overarching Recommendations***

The FFWG identified a set of overarching conclusions and recommendations to guide Rhode Island's elected officials' consideration of revisions to the funding formula.

### **Overarching Recommendations to Improve the Funding Formula**

#### *General Findings*

1. The funding formula should maintain a focus on students, their needs, and the verifiable costs of those needs.
2. The funding formula design and administration should rely on audit-quality data.
3. Any adjustments made to the funding formula statute should be grounded in research and data. No adjustment should be pursued for the purpose adding or eliminating funding based exclusively on school type.
4. The funding formula should continue to focus on simplicity, stability, and predictability over time.
5. Adding more money, in and of itself, is not the solution to the state's educational problems. High-quality, research-based programs are a necessary complement to additional money.
6. The funding formula and all public education expenses should be transparent and accessible to and by elected officials, policy-makers, educators, and the general public.

#### *General Recommendations for Education Funding*

1. Rhode Island is in the fifth year of a seven-year transition period for districts gaining state funding and the fifth year of a ten-year transition period for districts losing state funding. Any revision to the funding formula should avoid the introduction of disruption to this transition.
2. The categorical funds are essential to – not a secondary or disposable part of – the funding formula. They should be treated as equal to and funded along with all other parts of the funding formula.
3. The funding formula should allocate funding to students based on their needs, irrespective of the type of public school they attend.
4. The data used by the Rhode Island Department of Education to administer the funding formula are dynamic. Core data sets should be recalculated annually or as often as practicable.
5. Rhode Island schools must continue to innovate, pursue and implement best practices, prioritize cost containment, and seek out efficiencies.

## Executive Order Area #1: Meeting the Needs of All Students and Schools

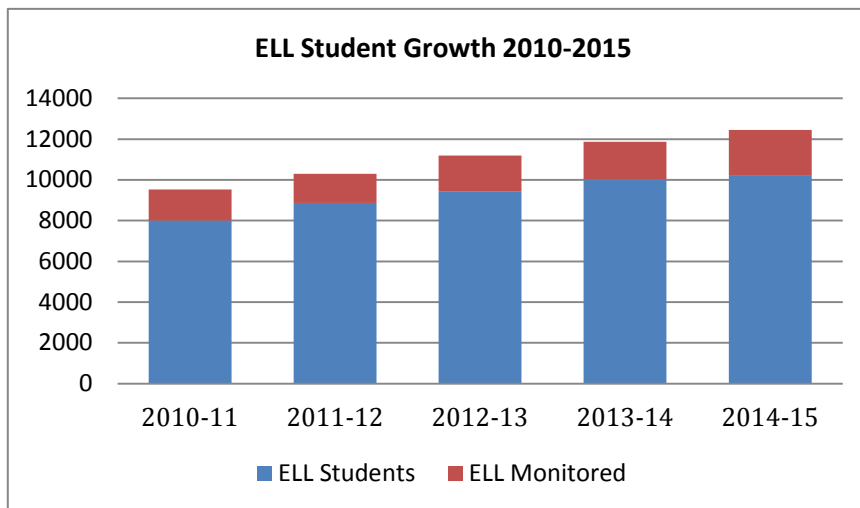
The executive order required the FFWG to review the degree to which the current funding formula is meeting the needs of all students and schools. This area of review included English Language Learners (ELLs), special education, and career & technical education.

### English Language Learners

Quick Facts ([Appendix A](#)) and Issue Brief 4 ([Appendix B](#)) introduced the context and Rhode Island and national practices relating to English Language Learners (ELLs).

Within the FFWG, there was widespread agreement that bilingual, bi-literate students and adults are a cultural and economic asset to Rhode Island. Further, the FFWG agreed that Rhode Island's long-term educational success will turn, in part, on the ability of schools to help students become both academically successful and proficient in English.

The FFWG discussed national practices for funding ELL services through state funding formulas. As part of that discussion, the FFWG noted that Rhode Island is one of only four states without designated ELL funding.



In addition to national practice, the FFWG discussion on ELLs covered topics including Rhode Island's changing demographics, the original rationale behind the student success factor (the 40% weight currently included in the funding formula) and its adequacy in meeting the needs of ELLs, the cost drivers associated with high-quality ELL services, and the importance of ensuring that ELLs are accurately identified, well-served, exited properly, and

monitored carefully.



## ***English Language Learners***

### *Findings on the Topic of English Language Learners*

1. English Language Learners have unique needs and their services are more expensive than general education.
2. Any changes to the funding formula need to maintain a clear distinction between funding and student need. The formula should not reward holding ELL students in programs longer than is educationally necessary.
3. While English Language Learners may benefit from additional support through the funding formula, this support should not come at the expense of other educational programs.
4. Dual-language programs can provide valuable educational opportunities for both English-speaking and English-learning students.

### *Recommendations on the Topic of English Language Learners*

1. Rhode Island should consider providing additional support for English Language Learners in order to improve education outcomes.
2. In the event that Rhode Island chooses to make an additional investment in ELLs, the funding should:
  - a. be calculated to be responsive to the number of ELLs in our system and based on reliable data;
  - b. include reasonable restrictions to ensure that the funding is used to benefit ELLs; include a clear connection to research-based, proven effective strategies; and
  - c. promote the appropriate exiting of ELL students from services.

## **Special Education**

Issue Brief 5 ([Appendix C](#)) introduced the context and Rhode Island and national practices relating to special education funding. Issue Brief 2 ([Appendix E](#)) introduced additional context relating to charter public schools.

The FFWG was uniform in its agreement that high-quality services that meet the needs of students with disabilities are both a legal right and an educational priority. While special education was discussed within the context of the funding formula, the group emphasized the importance of providing students with the services necessary for their success.

The FFWG discussion covered topics including the variability in special education services, the linear relationship between the cost of special education services and the intensity of the services being provided, differences in per-pupil special education spending between traditional districts and charter public schools, and the significant financial obligation that local education agencies face relative to special education.

The current funding formula includes a high-cost special education categorical fund designed to reimburse local education agencies for a portion of their expenses for students with educational expenses that exceed 500% of the core instructional amount plus the student success factor. The FFWG discussed the impact that high-cost students can have on school budgets and the unpredictability of those expenses.

## **Special Education**

### *Findings on the Topic of Special Education*

1. There are wide differences in students' special education needs and an associated variability in the costs. A funding formula that gives the same flat amount for all students with disabilities, regardless of the services being provided, may under- or over-compensate schools and districts.
2. High-cost special education services have a significant impact on school budgets.

### *Recommendations on the Topic of Special Education*

1. Rhode Island should consider providing additional support for districts with high-cost special education students. If funding is increased, the 500% eligibility threshold for the special education categorical should be adjusted to broaden district and school reimbursement eligibility.
2. Special education responsibilities can arise suddenly and, in some cases, have a significant impact on already-approved budgets. The state and schools of all types should work together to minimize this impact.

## **Career & Technical Education**

Issue Brief 6 ([Appendix D](#)) introduced the context and Rhode Island and national practices relating to career & technical education.

The FFWG discussion covered topics including the range of career & technical school models and programs, the cost of career & technical education across programs, RIDE's role in setting the policy context for efficient and high-quality technical offerings, and the role and effect of career & technical education-related school choice on schools of all types.

## ***Career & Technical Education***

### *Findings on the Topic of Career & Technical Education*

1. Career & Technical education programs provide a valuable educational opportunity for students. When delivered well, the additional cost is a worthwhile investment.
2. State-operated stand-alone career & technical education models are funded in a manner prescribed by the funding formula. Other models calculate their own tuition, resulting in variance in tuition costs from program to program and district to district.
3. Funding – whether from the state or collected through tuition -- for career & technical education should be anchored in real expenses.

### **Career & Technical Education**

#### *Recommendations on the Topic of Career & Technical Education*

1. Rhode Island’s current approach to managing career & technical education should be reviewed to ensure a shared focus on quality programming, cost-effectiveness, and efficiency. These goals should be pursued without compromising students’ right to access career & technical education.
2. Expenditure data indicate that free-standing career & technical education centers unaffiliated with a district are one of the most expensive delivery models. Though more expensive, these centers can provide unique benefits to students. The funding for schools operating this model should be reviewed to ensure that such schools can continue to provide high-quality career & technical education.
3. RIDE should thoroughly review the current methods for calculating career & technical education (CTE) tuition and reimbursement to ensure clarity, consistency, and fairness throughout the CTE system.

### **Executive Order Area #2: Ensuring Fairness among School Types**

The executive order required the FFWG to review the degree to which the current funding formula is fairly distributing resources to and between school types. The Rhode Island public school system includes three types: (1) traditional districts, (2) charter public school districts, and (3) state schools.

#### **Differences in Expense Profiles: Traditional Districts and Charter Public Schools**

Issue Brief 2 ([Appendix E](#)) introduced the context, Rhode Island data, and national practices relating to the difference between expenses in Rhode Island’s traditional districts and charter public schools.

The FFWG discussion covered topics related to expense differences and to traditional district and charter public school ability to meet the needs of their students and cover their own unique expenses. Some traditional districts expressed concerns that the funding that “follows the student” to charter public schools includes expenses that traditional districts bear alone. Similarly, charter public schools shared information and data on their unique funding burden resulting from renting, purchasing, and/or renovating school facilities. Other discussion items included capital expenses and pension contributions.

#### ***Rounded average FY14 Costs Incurred By Traditional Districts, Per Pupil***

<b><i>Out of district special ed.</i></b>	<b><i>Retiree Health Benefits</i></b>	<b><i>18-21 Services</i></b>	<b><i>Pre-School Screening /Costs</i></b>	<b><i>Non-Public obligations</i></b>	<b><i>Career and Tech Tuition</i></b>
\$560	\$250	\$280	\$115	\$30	\$60

<b><i>Rounded Average FY14 Costs Incurred by Charter Public Schools, Per Pupil</i></b>	
<b><i>Debt Service</i></b>	<b><i>Rental Costs</i></b>
\$510	\$430

### **Differences in Expense Profiles: Traditional Districts and Charter Public Schools**

#### *Findings on the Topic of Differences in Expense Profiles*

1. The differences in expenses between charter public schools and traditional districts are largely the result of differences in fundamental nature, regulations, or statute. The differences, in and of themselves, cannot be used as a basis for qualitative judgment of practice.
2. The FFWG concurs with the general conclusions of the House Study Commission in finding that the critical categories that require adjustment are: (1) pre-school screening and services; (2) ages 18-to-21 pupil services; (3) nonpublic-school services; (4) career & technical education costs; (5) expenses associated with out-of-district placement; (6) retiree health expenses; (7) debt service; and (8) rental costs. The latter two are associated almost exclusively with charter public schools while the preceding six are associated almost exclusively with traditional districts.

#### *Recommendations on the Topic of Differences in Expense Profiles*

1. Due to verifiable differences in average expense profiles between traditional districts and charter public schools, funding formula revisions are warranted.
2. Any change to the funding formula resulting from differences of average expenses must be limited to clear and evident groups of expenses that are the result of differences in statute or regulation or to overwhelming differences in practice. The categories first identified by the House Study Commission and later presented by the R.I. Department of Education (RIDE) staff should be considered for adjustment.
3. Equity between school types is of the utmost importance. Funding formula adjustments that account for differences in expenses need to be balanced; they cannot consider expenses only on the side of charter public schools or traditional districts.

### **Fixed and Marginal Costs**

Issue Brief 1 ([Appendix F](#)) introduced the context, Rhode Island data, and national practices relating to the difference between expenses in Rhode Island's traditional districts and charter public schools.

The FFWG discussed fixed and marginal costs in operating both traditional districts and public schools of choice. The group also discussed school-enrollment trends and their effect on school budgets. FFWG members and members of the public offering comment raised concerns about effects of enrollment loss to, from, and between public schools.

### ***Fixed and Marginal Costs***

#### *Findings on the Topic of Fixed and Marginal Costs*

1. Fixed and marginal costs are real issues for all schools. Enrollment change affects fixed and marginal costs; precipitous or sustained enrollment decline can make this effect significant.
2. Student movement to and amongst public schools of choice has an effect on school budgets because it results in the transfer of both the state and local share from the original or sending school to the new school.
3. Fixed costs (costs that do not vary by enrollment) can be quantified, and there are well-recognized approaches for doing so. Both traditional districts and public schools of choice have fixed costs.
4. Marginal costs (costs that vary by enrollment but cannot always be adjusted at a rate that matches enrollment change) may be difficult to quantify and are influenced by the efforts taken by schools and districts to manage their budgets to enrollment. Both traditional districts and public schools of choice have marginal costs.

#### *Recommendations on the Topic of Fixed and Marginal Costs*

1. Rhode Island should explore an approach for quantifying the fixed and/or marginal costs of traditional districts facing public school choice-related enrollment decline.
2. Rhode Island should consider providing additional support to traditional districts with high percentages of students enrolled in public schools of choice. This support, should it be provided, should not diminish the expectation of the need to control and reduce costs in the face of declining enrollment.

### ***Executive Order Area #3: Best Practices in Educational Funding, Efficiency, and Innovation***

The executive order required the FFWG to review the degree to which the formula incorporates best practices in educational funding and promotes efficiency and innovation. In this area, the FFWG reviewed (1) local education aid and local share and (2) national best practices, efficiency, and innovation.

#### **Local Education Aid and Local Share**

Issue Brief 8 ([Appendix G](#)) introduced the context and Rhode Island data relating to local education aid and local share.

The FFWG discussed local education aid and the degree to which it varies by community. The FFWG heard public comment and reviewed data on local education appropriations statewide. The group also discussed the method for calculated per-pupil local share.

Group members raised questions regarding the sufficiency of state and local spending on education. Group members also discussed the high overall cost per pupil in Rhode Island, noting that the focus needs to be on student outcomes rather than on a mere counting of the actual dollars spent.

Through data and public comment, the FFWG discussed the challenging situation faced by Rhode Island's cities and towns, including a combined 4% tax ceiling and a resource-scarce climate. With that

acknowledged, over the past five years the state has added nearly \$180M in additional education aid while some cities and towns have level-funded or provided only nominal local increases.

### ***Local Education Aid and Local Per Pupil Share***

#### *Findings on the Topic of Local Education Aid and Local Per Pupil Share*

1. Rhode Island cities and towns face a challenging fiscal environment. In the last five years, some communities have maintained low levels of investment in public education.
2. Cities, towns, school committees, and the Rhode Island Department of Education should improve communications regarding education funding, funding adequacy, and the need for high-quality, reliable multi-year planning.

#### *Recommendations on the Topic of Local Education Aid and Local Per Pupil Share*

1. The funding formula maintenance-of-effort language for cities and towns should be strengthened to account for reasonable factors such as inflation and enrollment increases.
2. The method of calculating tuition for public schools of choice must be transparent, fair, and well understood by all and clearly and fully described in statute.

The FFWG also discussed alternatives to the current method for calculating local share for public schools, including calculating local share based on anticipated expenses of public schools of choice and establishing a standard local share amount for all charter public school students, regardless of their sending community.

The FFWG discussed the potential benefit of changing the method through which public schools of choice bill for and collect local per-pupil funding.

### **Best Practices, Efficiency, and Innovation**

Issue Brief 9 ([Appendix H](#)) introduced the context and Rhode Island data relating to best practices, efficiency, and innovation.

The FFWG discussed the value in promoting innovation and disseminating best practices in education. The group also discussed examples of current partnerships among public schools, the value and potential risk of mandate relief, and the importance of regular and public review of the funding formula to ensure that it is functioning as intended.

### ***Best Practices, Efficiency, and Innovation***

#### *Findings on the Topic of Best Practices, Efficiency, and Innovation*

1. There is a need for innovation and the promotion of best practices in education.
2. Rhode Island should promote partnerships between schools of all types to spread best practices that benefit all students.
3. A thoughtful review of state educational requirements and, to the degree possible, the offering of mandate relief could increase efficiency. Potential mandate relief should be evaluated based on educational purposes and reviewed for unintended consequences.
4. RIDE should make the Uniform Chart of Accounts (UCOA) more useful and transparent to all educational stakeholders and the public at large by improving access and usefully presenting the data at a state, district, and building level.

#### *Recommendations on the Topic of Best Practices, Efficiency, and Innovation*

1. The funding formula should be reviewed on a standard interval to ensure that it is performing at intended and optimum levels.
2. Rhode Island should investigate the use of state funding to promote innovation, flexibility, and best practices and to encourage autonomy

### ***Additional Topics Discussed***

This section catalogues additional topics discussed by the FFWG that, though outside the strict boundaries of the funding formula, affect the financing of public education in Rhode Island. These additional topics do not represent the consensus of the Working Group and are provided to mark potential future topics of review and/or action.

#### **1. Constitutional Amendment Guaranteeing the Right to a High-Quality Public Education**

Some members of the public recommended that the state pursue a Constitutional amendment to guarantee a right to a high-quality public education.

#### **2. Charter Public School Housing Aid**

The FFWG heard significant public comment and engaged in extended discussion about housing aid for charter public schools. The charter public school housing-reimbursement rate is set at 30%, lower than the rate for any traditional district. Furthermore, the rate does not take into account the socioeconomic status of the charter public school students or the community in which the school is located. The difficulty of identifying, purchasing, and renovating suitable school housing exacerbates this inequitable reimbursement rate.

The FFWG agreed that this issue deserves further consideration. However, the group was also emphatic in noting that any increase in the reimbursement rate would need to be considered in tandem with prudent safeguards of taxpayer funding, especially if the funds were to be invested in privately held property.

The FFWG also discussed the importance of pursuing public school housing solutions that promote the full and effective use of publicly owned buildings, thereby minimizing under-utilized space.

### **3. Increase State and Local Spending Efficiency and Effectiveness**

The FFWG discussed the fact that Rhode Island is one of the national leaders in education spending, but our student academic outcomes do not reflect the significant local and state investments in education. The group discussed the importance of promoting increased use of evidence-based instructional programs to promote stronger student outcomes.

### **4. Flexible Education Funding for Disengaged Youth**

The FFWG discussed the possible use of state and local formula funding to support the educational needs of at-risk youth, including youth in alternative educational settings such as GED and adult education programs. The concept of allowing the funding to follow students to help ensure their completion of a GED or a meaningful credentialing program has been implemented in other states and could be considered in the future.

### **5. Public School Partnerships**

The FFWG discussed the idea that the Rhode Island Department of Education should continue to promote partnerships among schools of all types as a means of spreading best practices.

### **6. Public School Research Study**

The FFWG discussed the possibility of engaging a research partner to conduct a study into the the practices that best support students and families in Rhode Island's public schools and the impact of public school choice on sharing disseminating best practices.



## ***Acknowledgements***

The Funding Formula Working Group consisted of 30 members of the public who generously dedicated their time to improving public education and its funding in Rhode Island.

- **Elizabeth Burke Bryant** (Co-Chair), executive director, Rhode Island KIDS COUNT
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## ***APPENDICES***

The issue briefs and supporting materials included in this appendix were developed to introduce and frame key issues under discussion by the Funding Formula Working Group.

These briefs and materials do not address every issue that affects public education funding. By focusing on concise introductions to important and complicated topics, some detail and nuance has been intentionally omitted.

**Public School Enrollment Information**

<b>All Public School Enrollment, 2006 &amp; 2015</b>				
<b>Student Demographics</b>	<b>October 2006</b>		<b>October 2015</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Race/Ethnicity				
White	105,361	69.5%	84,851	59.7%
Non-White	46,258	30.5%	57,163	40.3%
Hispanic Only	27,238	18.0%	34,322	24.2%
Total	151,619	100.0%	142,014	100.0%
Program Status				
English Language Learners	7,645	5.0%	10,341	7.3%
Students with Disabilities	27,648	18.2%	21,714	15.3%
Free/reduced lunch eligible	49,992	33.0%	66,563	46.9%

<b>Charter Public School Enrollment, 2006 &amp; 2015</b>				
<b>Student Demographics</b>	<b>October 2006</b>		<b>October 2015</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Race/Ethnicity				
White	840	29.9%	1,730	23.6%
Non-White	1,972	70.1%	5,586	76.4%
Hispanic only	1,221	43.4%	4,030	55.1%
Total	2,812	100%	7,316	100%
Program Status				
English Language Learners	261	9.3%	823	11.2%
Students with Disabilities	343	12.2%	903	12.3%
Free/reduced lunch eligible	1,629	57.9%	5,143	70.3%

- Total public schools.....300
  - October 2015 public school enrollment .....142,014
- Total traditional school districts .....32
  - October 2015 traditional district enrollment .....123,452
- Total regional school districts.....4
  - October 2015 regional district enrollment.....9,358
- Total state schools/other .....5
  - October 2015 state/other school enrollment .....1,888
- Total charter schools.....22
  - October 2015 charter school enrollment .....7,316

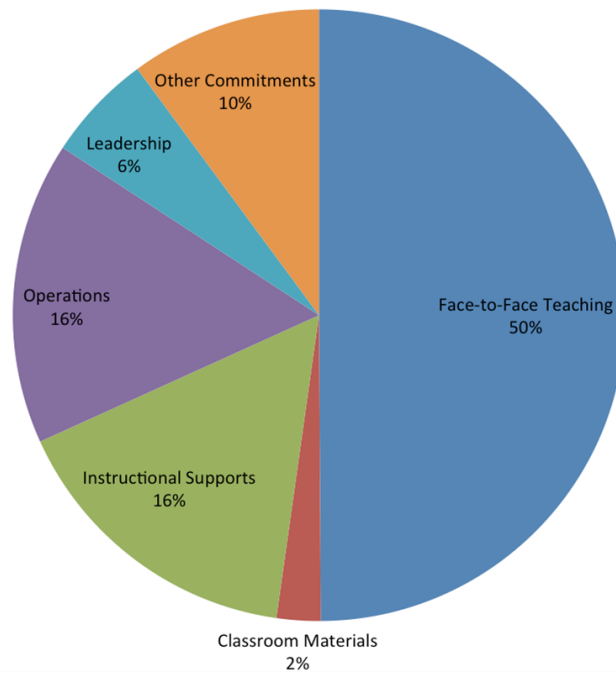
**Funding Formula Data**

- Total increase in education aid since 2011.....\$179.4M
- Districts with net state gains under the FFF .....26
- Total districts with net state loss under the FFF.....10

**2013-2014 State and Local Education Contributions and Expenses**

- State education aid distributed through formula\* .....\$850M
- Total local appropriation..... \$1.2B
- Rhode Island average per pupil spending.....\$15,808

**FY14 Statewide Expenditures Based on \$1 of Spending**



### Issue Summary

English language learners (ELLs) are students who are actively learning English and are entitled to language support services. As a group, ELLs are complex and heterogeneous, ranging from students who have had formal education in their home country to students with little-to-no experience with literacy or numeracy in any language. Contrary to popular opinion, ELLs are not uniformly students of color, immigrants, living in our core urban cities, or living in poverty.

Federal requirements heavily influence ELL instruction and include:

- (1) Pro-active identification of potential ELLs as early as possible;
- (2) Providing a sound educational program led by a qualified teacher that supports language and academic content acquisition;
- (3) Regular monitoring and the ability to exit upon demonstration of English proficiency; and
- (4) 2 years of monitoring after exit to ensure that they are making expected academic gains.

High quality ELL services can take many forms including dual language programs, supported inclusion of ELLs in general education classrooms, and targeted interventions. Regardless of their form, high-quality programs offer:

- (1) A joint focus on content knowledge **and** language acquisition;
- (2) Approaches that use students' native language as a strength;
- (3) Provide students a strong foundation in conversational and academic vocabulary;
- (4) High expectations and challenging, age-appropriate academic content; and
- (5) Qualified and well-trained educators.

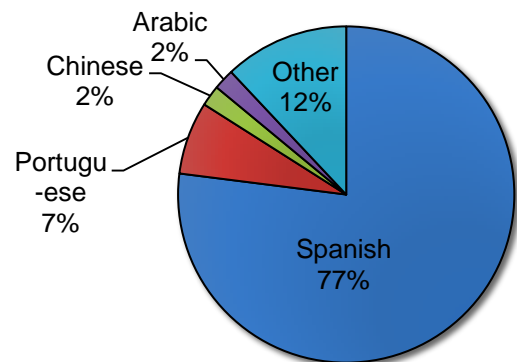
### Rhode Island Context and Data

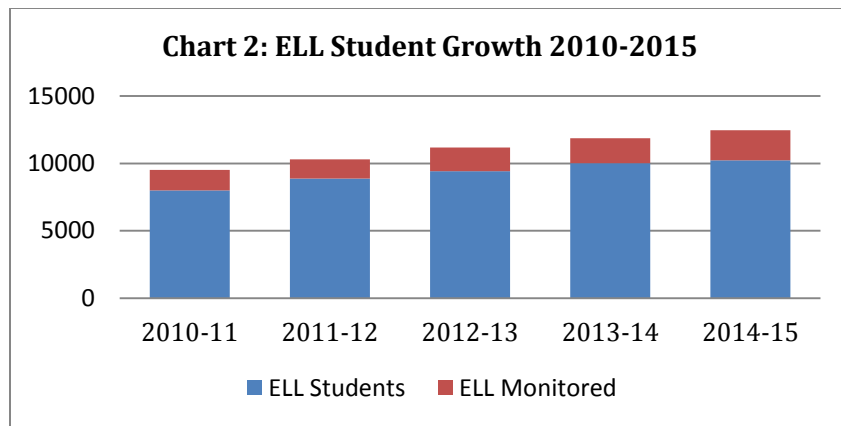
In the 2014-2015 school year in Rhode Island, ELLs were 7% of total students (10,229). Of these students, 88% were enrolled in free or reduced-price lunch programs and 75% lived in the four core cities.

ELL students in Rhode Island speak over 90 different languages, the most prevalent of which are presented in Chart 1.

While ELLs represent a relatively small percentage of our overall school-age population, they are one of the fastest-growing demographic groups. Chart 2 provides a five-year view of ELL student growth. The students represented in blue in the chart are ELLs current in program; they are complemented by the students represented in red, who have recently exited and are in monitoring status.

**Chart 1: Language Distribution of English learners, 2015**





In addition to examining the statewide growth in English language learners, it is helpful to better understand their concentrated growth in the core urban communities, which is presented in Table 2, below.

Change in ELL Population		
	2010	2015
Statewide	5.7%	7.3%
Providence	16.6%	23.1%
Pawtucket	12.2%	10.3%
Woonsocket	7.2%	8.8%
Central Falls	22.2%	25.6%

### National Practice and Examples

Currently, Rhode Island is one of only four states that do not have an ELL- specific state funding mechanism for ELLs. Of the states that do have one, there are primarily three mechanisms used:

1. **Categorical funding:** Nine states disperse funding for ELLs through a categorical fund;
2. **Reimbursement:** Three states reimburse districts for a portion costs of specific ELL programs
3. **Formula funding:** Thirty-four states fund through their funding formula, the majority through student weights that fall between .1 and .25 per student.

Most states' ELL funding is discretionary once passed on to districts so there is no requirement that districts will use those extra dollars for ELL services.

**Issue Summary**

Students with disabilities (SWD) are being served in every school and district in Rhode Island. Students who are evaluated and determined to have a disability that requires additional support are provided individualized educational plan (IEP). The IEP is developed by a team of professionals and describes the services and supports to which the student has a legal right. Students with disabilities are regularly evaluated to determine whether they are making progress.

High-quality special education services:

1. Are responsive to the changing needs of the students;
2. Define special education as a service, *not a place* and keep students with disabilities with their classmates and peers;
3. Use a team approach to educating and monitoring student progress;
4. Treat parents as partners in the educational process; and
5. Are delivered by qualified and well-trained educators.

**Rhode Island Context and Data**

Rhode Island has an average special education identification rate of 15.9%, which has fallen over the past five years. Table 1 summarizes the change in special education rates in Rhode Island’s three largest districts which, together, serve almost 30% of the state.

Table 1: Five Year Change in Special Education Rates			
	2010 Special Education %	2015 Special Education %	Change
Statewide	16.5%	15.9%	-0.6%
Providence	18.1%	16.7%	-1.4%
Cranston	14.9%	13.8%	-1.1%
Warwick	18.7%	18.1%	-0.6%

SWD have highly variable need based on the nature of their disability. Some students received services and quickly exit, while others receive services throughout their K-12 education. Some students require individualized supports until the age of 21, while others need to be placed in a non-public school equipped to meet their unique needs.

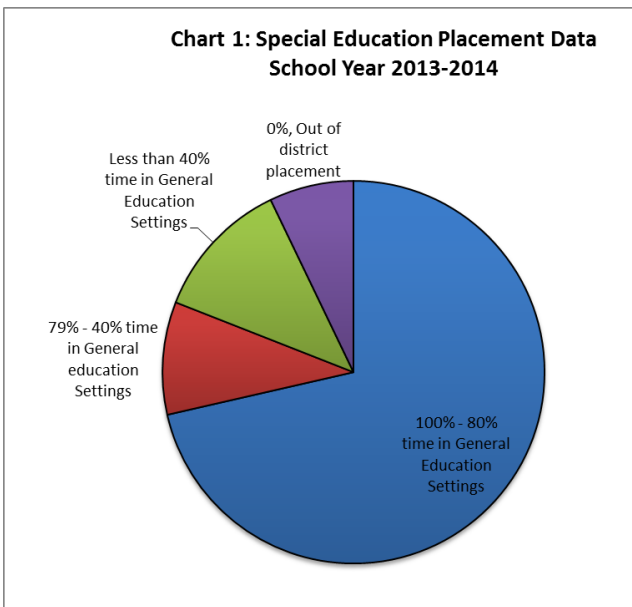


Chart 1 provides a high-level view of the proportions of special education service, which is presented as the percentage of time that students spend in general education settings. The vast majority of students with disabilities are spending the vast majority of their school day in general education settings. At the same time, it is critical to more fully understand the differences in cost between levels of supports in the various settings.

Table 2 displays the range in costs between levels of disability. Levels are displayed as the percentage of time students are in the regular classroom settings.

Table 2: Special Education Per-Pupil Expenditures					
School Type	Range	80%>	79-40%	<40%	OOD
Traditional Districts	Min	\$1,897	\$1,403	\$1,645	\$18,624
	Max	\$27,957	\$90,994	\$90,572	\$131,400
	Avg	\$11,327	\$30,928	\$22,932	\$63,236
State Schools	Min	\$4,169	\$0	\$0	\$0
	Max	\$50,014	\$0	\$0	\$0
	Avg	\$20,462	\$0	\$0	\$0
Charter Schools	Min	\$2,977	\$1,025	\$0	\$12,342
	Max	\$10,298	\$1,025	\$0	\$54,600
	Avg	\$6,073	\$1,025	\$0	\$33,293

The cost of special education is funded primarily by local education aid. In FY 2014, federal funding covered 16 percent of the estimated cost and the state funded \$2.5 million in reimbursement for our highest-cost students. The remainder of special education costs are funded through general state and local education aid.

### National Practice and Examples

47 states have a funding mechanism specifically for SWD.

- **Formula funding:** 31 states adjust the distribution of their funding formula for SWD
  - 10 states use a single weight
  - 10 states use multiple weights (to account for the degree of need)
  - 5 states use flat dollar allocations
  - 6 states use staff allotments
- **Categorical funding:** 12 states disperse funds for SWD through a state budget item
- **Reimbursements:** 4 states reimburse districts for expenses on SWD

Rhode Island’s model is not represented in the categories above and contains two mechanisms:

- (1) Approximately \$700 of the \$8979 instructional core reflect special education expenses. This means a portion of special education costs are already included in the formula.
- (2) In fiscal year 2014, Rhode Island provided a total of \$2.5 million in reimbursement for its highest cost students through a categorical fund.

Like most states, Rhode Island treats state special education funding as discretionary; once passed on to districts, they are not required to use the funds for special education.



## Issue Summary

Career and technical education (CTE) presents unique funding challenges. There are claims that CTE is both over and underfunded through the funding formula. Currently, districts receive funding for career and technical education from two state/local sources: (1) reimbursement from the funding formula career and technical education categorical fund, and (2) out-of-district tuition.

### Rhode Island Context and Data

CTE in Rhode Island is delivered through three primary mechanisms.

#### **Type 1: Centers that offer many CTE programs in a single, freestanding school (Davies Career Center and the Met<sup>1</sup>)**

*Unique characteristics:* These schools are their own districts and do not have a “resident” population but rather, serve students regionally and statewide.

*Cost drivers:* This is the most expensive model because it combines full technical and academic programs of study. Unique cost drivers include enrollment attrition in the upper grades; the cost of transportation to school and for required workplace internships; the requirement to offer a full complement of student support services (guidance, social workers); smaller class size to ensure student safety; and expensive consumable materials.

*Funding:* These centers are funded like charter schools (state and local share) and receive reimbursement for some expenses through the CTE categorical fund. Over the three years between FY13 and FY15, the average annual award through the CTE categorical fund was \$405,000.

#### **Type 2: Centers that offer many CTE programs in a technical center that operates as a satellite to a high school (Woonsocket, E. Providence, Newport, Chariho, Cranston, Warwick, and Coventry)**

*Unique characteristics:* These schools are part of a district and serve resident students and out-of-district students on both full and part-time bases.

*Cost drivers:* This is the second most expensive model. Unique cost drivers include enrollment attrition in the upper grades; smaller class size to ensure student safety; and the higher material and expensive consumable materials.

*Funding:* Out-of-district students pay for access through a tuition model that includes the technical training costs, transportation, and any other incremental cost associated with the student’s experience in the career preparation program. In-district student costs are partially reimbursed to the district through the funding formula career and technical education categorical fund. Over the three years between FY13 and FY15, the average annual award through the CTE categorical fund was \$182,000.

#### **Type 3: Comprehensive high schools that operate one or two career preparation programs as part of their programs of study (high schools statewide)**

*Unique characteristics:* This tends to be the lowest-cost model. These programs are part of a district and serve resident and out-of-district students.

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<sup>1</sup> There are two additional free-standing schools that combine career and academic programming: (1) Providence Career and Technical Academy, which serves only Providence students and is a school within Providence, and (2) New England Laborers Academy, which is a charter school in Cranston. The characteristics and cost drivers for these schools are somewhat different than those presented here.

*Cost drivers:* The cost drivers in this area relate to start-up costs and the cost of consumable materials that are part of the program.

*Funding:* Out-of-district students are served through a tuition model: sending districts are required to pay for the technical training costs, transportation, and any other incremental cost associated with the student’s experience in the career preparation program. In-district student costs are reimbursed to the district through the funding formula career and technical education categorical fund. Over the three years between FY13 and FY15, the average annual award through the CTE categorical fund was \$25,000.

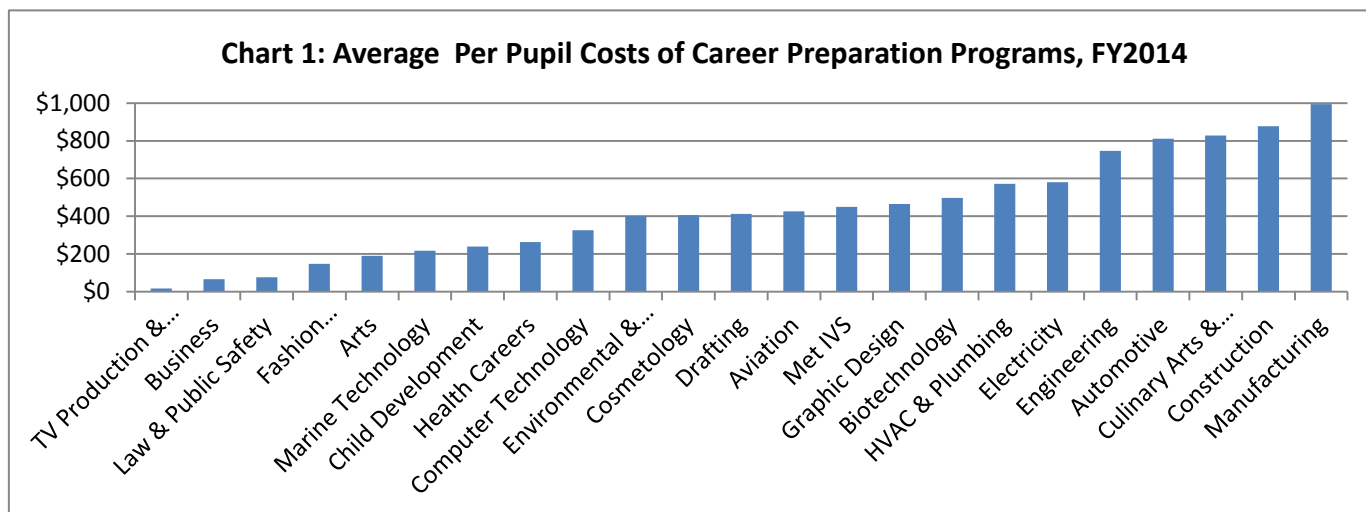


Chart 1 provides the average, above and beyond, per pupil costs of CTE by program type.

### National Practice and Examples

Across the nation, there are many different approaches to funding career and technical education. These approaches fall into five general categories, which are presented in Table 1, below.

State Funding Approach	Description	# of States
1. Weighted Funding	States that establish a single weight for CTE programs without differentiation	12
2. Categorical Funding	Supporting CTE programs with categorical funding	8
3. Proportional Allocation	LEAs are funded proportionate to its share of the state’s CTE population	9
4. Unit Based Funding	Unit- or program-based formulas allocate funds based on a set of educational inputs used to deliver CTE services.	7
5. Cost Reimbursement	Districts are reimbursed for all or a portion of CTE expenses, as determined by state policies.	9

Rhode Island’s funding formula approach is a combination of method 2 and 5 and provides direct state reimbursement for over half of all extraordinary CTE expenses statewide. Federal funding and out-of-district tuition cover the remaining costs.

## Issue Summary

Rhode Island’s funding formula requires that state and local funds follow the student from their resident district to their public school of choice. This brief focuses on the issue of fundamental differences in expense obligations between charter schools and traditional school districts.<sup>2</sup>

Traditional districts are required to send a local per pupil share to public schools of choice that is calculated based on (nearly) all their local revenue, including revenue used for expenses that charter schools do not typically bear. Conversely, charter schools must fund their educational program based largely on state and local per pupil funding, even though they bear expenses that traditional districts do not. It is therefore important to understand the unique expenses for both school types to estimate their net impact. This brief focuses only on unique expenses that can be defined by two criteria:

**Criteria 1** are differences in regulatory or statutory requirements; or **Criteria 2** are overwhelming differences in practice.

Districts tend to have expenses that charter schools do not in the following areas:

- (1) *Pre-school screening, intervention, and targeted educational services*: These are costs associated with the federal requirement that districts identify resident 3-5 year olds, screen them for potential disabilities, and provide services to qualifying students.
  - **This meets criteria 1.** Because charter schools do not have “resident” 3-5 year old students, they have no regulatory responsibility in this area.
- (2) *Private school obligations*: Rhode Island General Law requires that districts pay for the transportation and some textbooks for resident students attending private schools.<sup>3</sup>
  - **This meets criteria 1.** Charter schools are not required to provide this benefit.
- (3) *Career and technical tuition costs*: These are the tuition costs associated with students enrolling in career and technical education programs outside their resident district.
  - **This meets criteria 2.** If a charter student requested access to a career and technical education program outside their school, the charter would be required to provide it. However, historically, charter school students do not request tuition-based placement outside their school.
- (4) *Out of district special education costs and transportation*: Some students with disabilities have needs that cannot be met within the district and require placement in a specialized program. In these instances, the district must pay the student’s tuition.
  - This expense meets **criteria 2**. It is possible that charter schools could enroll and would need to serve students through out-of-district-placement; historically, charter school students tend to not require out-of-district placement.
- (5) *Retiree health benefits*: These are the legacy costs of continuing to pay for health benefits that were guaranteed to prior staff and persist through their retirement.
  - This expense meets **criteria 2**. In time, some charter schools may have some retiree benefit expenses but due to management of benefit packages and relative youth of the workforce and sector, they have virtually no expenses in this area.

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<sup>2</sup> This brief does not address Davies and the Met, two state-operated public schools of choice.

<sup>3</sup> A portion of non-public transportation and high-cost special education expenses are offset by a state-funded categorical.

(6) *18-21 year old services*: These are costs associated with providing education and transition services to youth with disabilities up to the age of 21.

- This expense meets **criteria 2**. If a charter enrolled a student that was legally entitled to services through the age of 21, they would be obligated to provide them; historically, very few 18-21 year olds receive these services in charter schools.

Charter schools tend to have unique expenses that meet the above criteria in the following areas:

(1) *Debt service*: The cost of repaying debt is nearly exclusively associated with facilities purchase, construction, or renovation. For traditional districts, this expense is covered by the city/town and is not encompassed by their per pupil funding. Conversely, charter schools must pay for all housing costs from per pupil funding.

- **This meets criteria 1**. With the exception of regional districts, virtually no traditional districts incur this expense and charters currently incur it as a result of both budget and statute.

(2) *Rental*: These are the costs of renting schools and facilities. Charter schools very frequently rent (rather than buy) their schools.

- **This meets criteria 2**. Although some traditional districts incur rental expenses, they are negligible and tend to be associated with the cost of small ancillary space, storage, and access to athletic facilities. Charter schools are incurring rental expenses for the school buildings.

**Rhode Island Context and Data**

The House Study Commission dedicated significant time to the discussion and study of this issue. Based on FY14 expenditure data, rounded average costs for expenses incurred by traditional districts (and not charter schools) are presented in table 1, below. Rounded average costs incurred by charter schools are presented in table 2, below.

<b>Table 1: Rounded average FY14 Costs Incurred By Traditional Districts, Per Pupil</b>					
<b>Out of district special ed.</b>	<b>Retiree Health Benefits</b>	<b>18-21 Services</b>	<b>Pre-School Screening /Costs</b>	<b>Non-Public obligations</b>	<b>Career and Tech Tuition</b>
\$560	\$250	\$280	\$115	\$30	\$60

<b>Table 2: Rounded Average FY14 Costs Incurred by Charters, Per Pupil</b>	
<b>Debt Service</b>	<b>Rental Costs</b>
\$510	\$430

**National Practice and Examples**

This issue is not unique to Rhode Island. At least five other states’ funding formulas allow for itemized adjustments to account for differences in expenses. These states include Massachusetts, Connecticut,

Delaware, Ohio, and Pennsylvania. In these states, charter school funding adjustments for high cost special education and other extraordinary expenses were common.

## Issue Summary

This brief addresses the relationship between the cost of running districts and schools and the funding received from enrollment. Under Rhode Island’s “funding-follows-the-student” formula design, state (and in some cases, local) share is a function of enrollment: the state contributes toward every full seat and contributes nothing toward empty seats. This raises two important issues: (1) fixed costs, and (2) marginal costs/savings. Both of these issues affect traditional school districts and public schools of choice.

*Fixed costs:* Districts and schools have some financial obligations that are “fixed” and do not vary much by small changes in enrollment. Common examples include heating, lights, grounds maintenance, and accounting services. Under the current formula, when a student leaves a school, the district loses the state (and, in the case of public schools of choice, local) share of funding for that student. For fixed costs, the loss of revenue doesn’t result in any appreciable decrease in expenses.

*Marginal cost/savings:* While fixed costs can’t be adjusted to match changes in revenue, marginal costs can be adjusted. However, not all marginal costs can be adjusted at the same rate. Some marginal costs can be managed to match enrollment (like consumable workbooks and meals). However, some cannot be managed to match enrollment changes (like teachers and building administrators).

Unlike fixed costs, marginal costs can work to the advantage and disadvantage of schools and districts. In some cases, the loss in revenue associated with the loss of a student cannot be met by an equivalent reduction in expenses; this produces a (marginal) loss. However, in other cases, the revenue gained through the addition of a student is greater than the costs of serving that student; this produces a (marginal) gain.

## Rhode Island Context and Data

*Fixed costs:* One of the most common and well-established ways to quantify fixed costs is through a federal method of defining and combining them and expressing them as a percentage. Based on this method, it is reasonable to estimate that districts’ fixed costs range from approximately 3% – 10%. This method includes an array of expenses including utilities, maintenance, retiree health and other legacy costs, etc.

*Marginal costs:* It is difficult to precisely calculate the marginal costs or savings on student seats. Calculation of this value is clouded by three issues: (1) the rate and urgency with which schools and districts respond to enrollment changes, and (2) the fact that empty seats can appear and disappear at any time (and sometimes multiple times) during the school year, and (3) marginal “cost” is not the same as lost revenue.

## National Practice and Examples

Several other states use a “funding follows the student” approach to their formula; across these states, there are two primary adjustments made to address fixed and marginal costs/savings:

1. States reimburse districts for a portion of the lost revenue when students move to public schools of choice.
2. States allow districts to withhold a flat percentage from their per-pupil “tuition” to public schools of choice.

*State Reimbursement Example: Massachusetts:*

Massachusetts reimburses the sending district 100% of per pupil revenue the first year and 25% of the per pupil revenue every year for five years for each additional charter student. This transition support is triggered by increase in charter school enrollment.

*Withheld Flat Percentage Example: New Jersey*

New Jersey law requires that the per-pupil amount paid to charter schools, from districts, not exceed the program budget per pupil for the specific grade level in the district in which the charter school is located. Charters are required to at least receive 90% of the traditional school district per-pupil funding.

## Issue Summary

This brief introduces three important topics related to local education aid and share under Rhode Island’s Funding Formula:

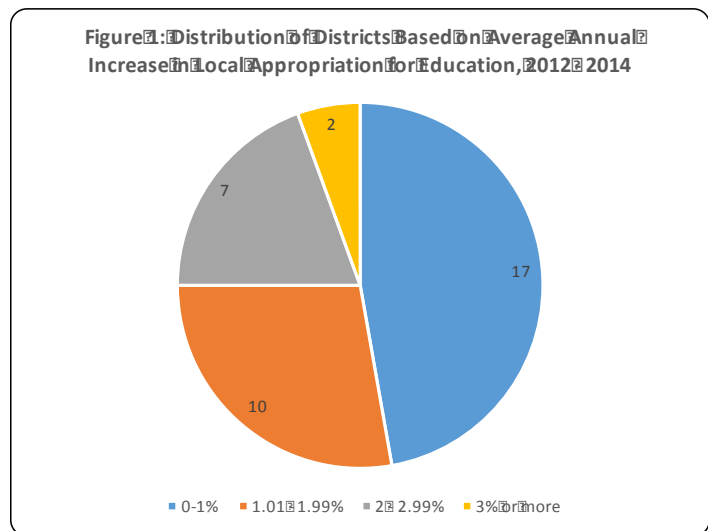
- (1) The local appropriation for education;
- (2) Proportion of local, state, and federal funding in Rhode Island districts; and
- (3) The method used to calculate local share in Rhode Island schools.

## Rhode Island Context and Data

In Rhode Island, cities and towns are the only entities authorized to levy taxes for the purposes of funding public education. Education funding is only one part of the many expenses funded through local property taxes: fire and police departments, public works, and many other services are also funded through taxes. Each year, cities and towns work with their school department and school committees to set the school budget, which, in turn, is a component of their request to the taxpayers for property tax increases.

### Local Appropriation for Education

Cities and towns can request to increase taxes for school and municipal services, but they also are subject to a 4% ceiling on local property tax increases.<sup>4</sup> For these reasons and more, there have been very limited increases to local education appropriation during the years since the Funding Formula has gone into effect. Figure 1 summarizes the distribution of cities and towns based on the percentage of average annual local education aid increase over the past three years. In it, you can see that 17 of the 36 cities and towns have averaged between a 0% and 1% annual increase during the years since the Funding Formula was implemented. Of the 27 cities and town with average annual increases below 2%, 20 of them have been “gainers” in the funding formula transition.



As a point of comparison, during this same period, the consumer price index (the most common and well-regarded escalator for inflation) went up by 1.7%, 1.5%, and .08% in 2012, 2013, and 2014 respectively.

### Calculation of the per pupil local share

In its simplest form, the local per pupil share is the local appropriation to education divided by the average student daily membership (ADM).<sup>5</sup> RIDE calculates the local per pupil for every district through a formula that begins with the deduction of capital expenses, debt service, and public school of choice tuition. These items are deducted to arrive at an equalized local appropriation, which is then divided by the ADM.

<sup>4</sup> This 4% ceiling is a combined ceiling and covers all necessary increases in the municipal budget. This 4% cap can be exceeded under certain conditions.

<sup>5</sup> The primary reason to calculate a local *per pupil* share is to calculate the funding that must follow schools to public schools of choice.

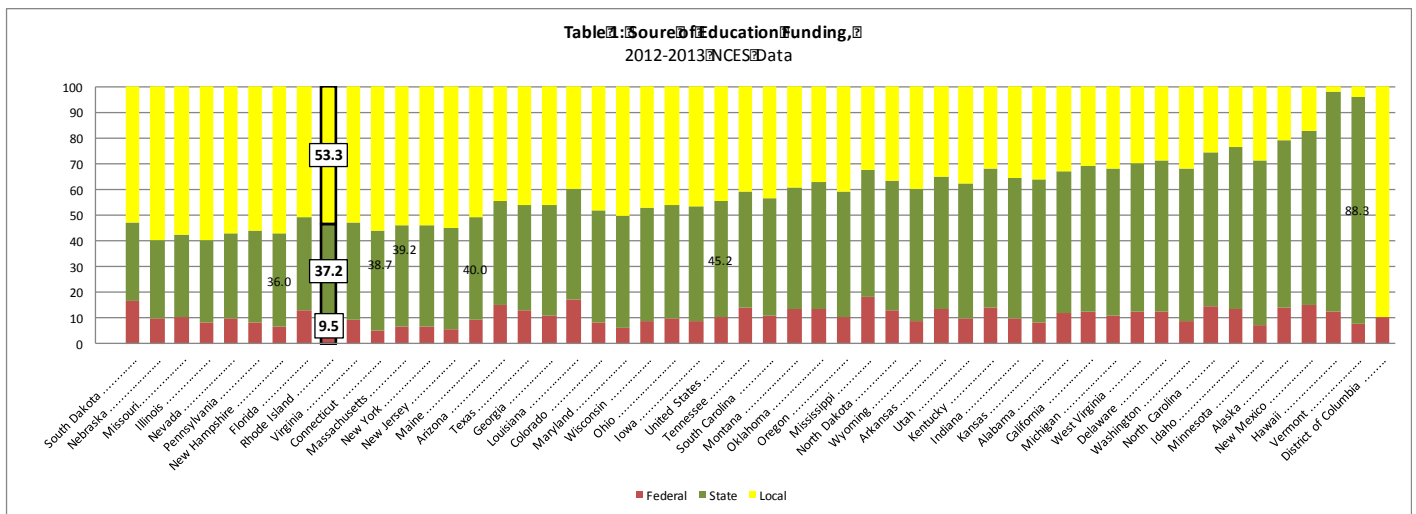
## Maintenance of Effort

Maintenance of Effort (MOE) is a widely used and well-established method in state statute to ensure that the local appropriation for education remains relatively constant from year to year. MOE requirements also create a safeguard that prevent funded organizations from shifting funding away from critical areas, especially when the state or federal government is providing funding to help them meet their obligations.

The MOE requirements in the Funding Formula require merely that districts not spend *less* than what they spent in the previous year, except in instances in which there is a documented decline in enrollment or a one-time expense.

## National Practice and Examples

Table 1 displays local contributions against state and federal contributions to education across the country.



In recent years many states have reduced their reliance on local taxes, and increased the percentage of their educational funding that comes from statewide sources.

- In 15 states, including Rhode Island, local property taxes (and other local sources) represent more than 50 percent of total school funding.
- In eight states, statewide funding now represents more than 60 percent of total education funding.
- In Vermont more than 85 percent of funding for education comes from statewide sources.



## Issue Summary

This brief describes current initiatives in Rhode Island to improve the transparency and efficiency of the public education funding and to summarize the best practices that have shown to improve school finance and the efficiency of public education systems across the nation and around the world. These practices should not be considered for adoption wholesale, but instead should be reviewed and analyzed for their potential ability to improve the equity and efficiency of Rhode Island’s funding formula.

## Rhode Island Context and Data

Several iterations of Rhode Island’s Strategic Plans for Public Education have called for the state’s resources to be invested wisely. With this charge, the Rhode Island Department of Education and various stakeholders have undertaken numerous efforts to create opportunities and strategies to achieve savings that could be redirected toward the improvement of student achievement. In response, the Rhode Island Department of Education has implemented six major categories of statewide efficiencies. These efforts range from creating service-sharing arrangements (statewide out-of-district transportation) that produce local savings to improving statewide oversight of expensive programs that require both state and local investments (school construction regulations) to the statewide bond funding to pursue critical facilities updates (Wireless Classroom Initiative).

Table 1: Statewide Efficiency Effort	Estimated Savings
Statewide Food Service Contract	\$5 million
Statewide Out-of-District Transportation	\$12 million
School Construction Regulations	\$100 million
E-Rate Consortium and RITEAF Program	\$2.5 million annually
Statewide School and Office Supply Bids	\$1.1 million
Wireless Classroom Initiative	\$2.9 million

In addition, the Office of Statewide Efficiencies at RIDE has partnered with districts to develop a best-in-class statewide method of accounting called the Uniform Chart of Accounts (UCOA). UCOA has allowed the state and local districts to research expenditure data down to the school level and to answer sophisticated questions about both expenses and revenue. UCOA is used in RIDE’s funding formula and categorical programs. UCOA has been the source data for all expenditure presented to this Working Group.

## National Practice and Examples

No state, district, or education system offers a flawless model of excellence in school finance and efficiency. However, best practices in state funding formulas recognize three important principles.<sup>6</sup>

<sup>6</sup> Many best practices featured in this brief were highlighted in a federal report, “For Each and Every Child: A Strategy for Education Equity and Excellence” published on February 2, 2013 by the U.S. Department of Education.

1. Achieving equity and excellence requires distributing resources based on student need and the provision of such resources must be linked to their effectiveness. Practices that support this principle include:
  - Publically reporting financial information down to the level of all public schools, while taking into account school characteristics such as size, geography, demographics, and student need
  - Striving towards a system of funding that provides sufficient resources needed for diverse students to achieve state content and performance standards. This may require the provision of additional resources to address the academic and other needs of diverse types of disadvantaged students
  - Addressing the consequences of concentrated poverty in schools. Research indicates that schools with concentrated poverty are expensive and perform worse than schools without concentrated poverty
  
2. Installing a dynamic system of continuous improvement that includes transparency of data. Best practices that promote continuous improvement include:
  - Developing ways to increase cost-sharing between schools and districts to lower administrative costs and redirect funds towards teaching and learning
  - The periodic review, development of performance evidence, and updating of the finance system to respond to changes in academic standards, student demographics, program research, costs and other factors relevant to maintaining meaningful educational opportunities and to reaching high levels of achievement for all students
  - Commitment to revisiting the adequacy of education funding on a consistent basis.
  - Assurances that the finance system is supported by stable and predictable sources of revenue
  
3. Promoting best practices and innovation that serve students and families, including:
  - Adding requirements that designated state funding be used to implement empirically proven instruction or programming to meet the need of traditionally underserved students
  - Promoting innovation through incentive funding
  - Promoting high-quality programs for disadvantaged students without incentivizing their misidentify or over-classify students

## **Issue Summary**

School housing costs are a complicated and important issue that affects both the deliberations of the funding formula working group and public education more generally. This issue includes two major components: (1) state support for school housing through state school construction aid; (2) the method by which traditional districts and public schools of choice pay for school housing.

In Rhode Island, land purchase, building renovation, and construction are typically funded through a combination of state construction funding (separate from the Funding Formula), local bond funding, and/or financial support from the city or town in which the school is located. Public charter schools cannot issue public bonds and (typically) do not have a city or town that provides financial support for the purchase, construction, or renovation of school housing.<sup>7</sup>

State school construction funding is allocated to districts based on a scale: wealthier communities are eligible for a lower state contribution and poorer communities are eligible for a higher state contribution. In FY 2016, these range from 35% to 96.1%. By statute, the charter school construction state reimbursement is set at 30%, below the district minimum of 35%.

## **National Practice and Examples**

A summary of state mechanisms for funding public school housing is complex and beyond the scope of this brief. However, national approaches to handling charter school housing merit summary. Across the nation, there are four primary ways that charter school housing costs are supported:

1. An Annual Set-Aside for Application-Based Aid and/or Matching Funds for Construction/Renovation
2. Right of First Refusal/Increased Access to Existing Public Facilities
3. Tax-Exempt Financing and/or Bond Application
4. Per Pupil Facilities Aid

The majority of states provide a combination of at least two of the forms of support listed above. Over 30 states with charter laws provide some form of financial support for the charter sector. 14 states provide no financial support for charter school housing.

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<sup>7</sup> While charter schools cannot issue public bonds, they have other methods of entering into similar long-term debt to fund facilities purchase, construction, and renovation.

**High Level Summary of Submitted Public Comment/Documents as of 1/14/15**

Submitter Type	# of Submissions	Types of Concerns
Students	1	CTE*
Parents/Families	5	Special education, CTE*, Charter/LEA Differences
Administrators/Educators	13	Charter/LEA Differences, ELL, CTE*, Special education
School Committees/Municipalities	9	ELLs, Taxing and Formula Administration, Regional District Aid, marginal vs fixed costs, Charter/LEA differences
Advocacy Groups	14	Calculation of local share, charter/LEA Differences, Taxing/Revenue, ELL, Informational
Community Members	10	Taxing/Revenue, Charter/LEA Differences, Special education, ELL, Special education, Regional District Aid, CTE*

Concern	Frequency
Charter/LEA Differences	14
Marginal vs fixed costs	2
ELL	6
Special education	5
CTE	7*
Taxing and Formula Administration	12
Regional District Aid	3
Informational	2

**Highlights**

- The busiest time for submitting comment was the period between 11/23 and 12/1
- Advocacy Groups have contributed most to submitted and in-person public comment
- Differences in costs between LEAs and Charters is the most common topic, with Taxing and Formula Administration second

\*Over 1,000 letters were submitted from advocates of the MET including alumni, students, and families.